

# SUPPLIER MANUAL

A Policies and Procedures Manual  
for Virginia ABC Vendors and Brokers

December 2012

Virginia Department of  
Alcoholic Beverage Control

# FOREWORD

The Virginia Department of Alcoholic Beverage Control (Virginia ABC) continually strives to provide the best possible service and product selection for the citizens of the Commonwealth of Virginia. Accomplishing this task requires that we model best practices and are able to adapt to changing consumer demands.

This manual is intended to serve as a reference guide for suppliers who are currently conducting business with Virginia ABC, as well as to educate new and prospective suppliers about Virginia ABC's policies and procedures.

—ABC Product Management Committee

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# VIRGINIA ABC'S MISSION

To control the distribution of alcoholic beverages; operate efficient, conveniently located retail outlets; enforce the laws of the commonwealth pertaining to alcoholic beverages and youth access to tobacco products; and provide excellent customer service, a reliable source of revenue and effective public safety.

# I. PRODUCTS



# LISTINGS

Four times a year ABC brings new products to market, either to store shelves or its Special Order Catalog. The process of bringing in new items is called “Listings,” and the new products appear on the July, October, January and March price lists.

The decision about which new products to list is made by the Product Management Committee (PMC), composed of members from different division within Virginia ABC. To be listed, a new product must be presented to the PMC for evaluation. These presentations are held one-to-two months prior to the listing date. Products presented must meet all requirements for listing (see below). Please note:

- Products presented must be available and ready for sale by the next listing date. (This usually requires that the product be in the Virginia ABC bailment warehouse at least two weeks prior to that date).
- Products presented must be entered into Virginia ABC’s Management of Inventory Product Sales (MIPS) online system, available through the ABC website.

The PMC will evaluate products based upon criteria such as:

- Category trends
- Price in comparison to other products (average price of product is used)
- Sales in other states
- Category need
- Brand strength/recognition
- Packaging and appearance (uniqueness)
- Special order demand / Customer requests
- Promotional support
  - In-store sampling \$\$
  - Promotion \$\$
  - Price support \$\$
  - On-premise support \$\$

A product will be scored from 1–5 in each criteria and the PMC will confer after the presentation to determine a final score.

Preference may be given to products that are made or distilled in the Commonwealth of Virginia or that have been awarded the distinction of “Virginia’s Finest” by the Virginia Department of Agriculture and Consumer Services. (See [www.vdacs.virginia.gov/vafinest](http://www.vdacs.virginia.gov/vafinest)). If the product was made or distilled in Va., it must be stated on the bottle.

## REQUIREMENTS FOR LISTING

- Supplier must be able to meet a minimum demand quantity of 100 cases (if allotted 80 stores).
  - The exception to the minimum demand quantity of 100 cases is for Virginia wines, in which the minimum demand quantity has been set at 60 cases (if allotted 60 stores).
  - Supply and production of this quantity must be feasible prior to presenting the product to the PMC.
- Product must be ready for shipment by the listing period for which it is being submitted.
  - If product is not ready until July, then it should not be presented for listing in April but at a more appropriate listing period when the product will be immediately available.
- Suppliers are required to send a list of products they plan to present to the committee.
  - The PMC will decide which items it would like to see presented.

- If a product is for a seasonal item but supplier wants to present at an unseasonable time, then PMC will suggest a more appropriate listing period.
- Suppliers must submit information in the Management of Inventory and Product Sales (MIPS) online system, available through Virginia ABC's website, by the established deadline or receive zeroes in scores for missing information.
  - "Product Specifications" form
  - "New Item Information Summary"

#### **INFORMATION NEEDED TO COMPLETE THE "PRODUCT SPECIFICATIONS" FORM**

- Proof/alcohol (%)
- Number of bottles per case
- Cost of shipping per case
- Net cost per case (The retail bottle price is calculated based on information provided.)
- UPC code
- SCC code
- Number of cases per pallet
- Number of cases per layer on the pallet
- Case weight (in lbs)
- Case dimensions (in inches)
- Bottle dimensions (in inches)
- Shipping origination point

#### **INFORMATION NEEDED TO COMPLETE THE "NEW ITEM INFORMATION SUMMARY"**

- Explanation of why the Virginia market needs the product
- Description of the packaging appeal, price appeal and unique aspects of the product
- Explanation as to what market segment the product appeals
- Description of the planned promotional/advertising campaign
- Estimated 12-month Virginia advertising expenditure
- Sales projections for the Virginia market (6 months & 12 months)
- List of similar items currently sold in Virginia and their associated sales
- List of states in which the product is currently being sold
- Number of product cases sold in other states

There is no appeal process for products not listed.

If a product is not listed, then the product must wait one year before being re-presented to the Virginia ABC PMC for listing consideration. This waiting period will be waived only if the ownership of the product has changed since the last listing presentation.

**ABC continually adapts its evaluation criteria and profit margin requirements to meet changing business needs.**

**The Virginia ABC PMC reserves the right to reconsider products at any time, even those that were not se-**

lected and may have been required to wait 12 months for listing reconsideration. ■

## SIZE EXTENSIONS

Requests for size extensions are included as part of the listings process. Listings are held four times a year, with new products appearing on the July, October, January and March price lists. Size extension requests must be submitted by a date specified by the PMC. Typically, this is approximately two weeks prior to a listings presentation.

A completed New Product Information Summary and a completed Product Specifications form must be entered into the MIPS system by the established deadline in order for the product to be considered for a size extension.

The Product Management Committee will evaluate size extension requests based upon the size(s) of the product currently being sold by Virginia ABC, the contribution margin of the current size(s), item expansion criteria and brand sales trends. ■

## DELISTINGS

Delisting is the process by which products with a low contribution margin are removed from the Virginia ABC price list and system.

- Products are given 12 months to meet and/or exceed the established annual contribution margin threshold. If a product does not meet this threshold after 12 months, then it is a candidate for delisting.
- New products are given six months from the date of listing to achieve one-half of the established contribution margin annual threshold. If this is not achieved, then the product is placed on “probation.” Probation is essentially a written warning that states if sales do not improve in the remaining six months, the product will likely be delisted.

Delisting criteria are as follows:

Product Type	Annual Contribution Margin Threshold
Non-Virginia products (liquor, mixers, etc.)	\$20,000
Virginia non-wine products (liquor, mixers, etc.)	\$10,000
Virginia wine	\$3,000

**NOTE:** Virginia products are defined as “made or distilled in the Commonwealth of Virginia” or that have been awarded the distinction of “Virginia’s Finest” by the Virginia Department of Agriculture and Consumer Services. (See <http://www.vdacs.virginia.gov/vafinest/> for more information). If the product was made or distilled in Virginia then this fact should be stated on the bottle.

These annual contribution margin thresholds include all sizes.

- For new products, the clock starts on the date of listing.
- For older products, the clock began on the date that the new delisting criteria went into effect: July 1, 2012.

A product may be spared from delisting if its annual contribution margin composes at least 2 percent of the overall contribution margin for its subcategory. This preserves offerings in smaller subcategories for Virginia

ABC customers.

Categories and subcategories are as follows:

<b>Cordials</b>	<b>Vodka</b>	<b>Virginia Wine</b>
<b>Gin</b>	• Flavored	• Sparkling
• Flavored	<b>Whiskey</b>	• Red
• Sloe	• Blended	• White
<b>Mixers</b>	• Canadian	• Pink
• Rimmers	• Corn	• Fruit
<b>Rum</b>	• Irish	• Miscellaneous
<b>Tequila</b>	• Rye	
<b>Vermouth</b>	• Scotch	
	• Tennessee	

Products with a pattern of out-of-stocks at the Virginia ABC bailment warehouse due to inconsistent product supply may also be delisted. Virginia ABC also reserves the right to delist products based on poor vendor performance.

Items delisted must wait two years from the date of delisting until the product can be presented again to the PMC for listing consideration. This waiting period will be reduced to one year only if the ownership of the product has changed since the product was delisted.

**The PMC reserves the right to reconsider products at any time, even those that were delisted and may have been required to wait for listing reconsideration for up to 24 months.**

Once a product has been delisted, any inventory in the Virginia ABC bailment warehouse must be retrieved immediately.

Delisted products will often be discounted in Virginia ABC retail stores in order to remove any remaining inventory from Virginia ABC store shelves. ■

## SPECIAL ORDER CATALOG

As a service to customers, Virginia ABC offers products on its Special Order Catalog. These are typically products in which there is some demand, however not significant, due to either price or low product awareness by customers. Products offering Virginia ABC a small product allotment may also be placed on the Special Order Catalog since there may not be enough to stock in all Virginia ABC stores.

The Special Order Catalog provides an opportunity for suppliers to build a product following and/or demand. Once that demand has been built, the supplier can submit the product to be listed on the standard price list. ■

## STORE SELECTION

Suppliers may make suggestions as to which stores they would like to be listed in; however, the final decision

## II. WAREHOUSE





# BAILMENT WAREHOUSE

Virginia ABC uses a bailment warehouse system. This means that products delivered to the Virginia ABC warehouse must be consigned to the supplier in care of Virginia ABC. While products are stored in the Virginia ABC bailment warehouse, the supplier is the owner of, has legal title to, and bears the risk of loss of those products, except for loss or damage caused by Virginia ABC's failure to exercise such care in regard to stored products as a reasonable, careful person would exercise under like circumstances. Virginia ABC will take title to products only once they are purchased by Virginia ABC (at the time the product is picked up for delivery to Virginia ABC retail stores).

There are minimum and maximum levels for each product code maintained in the Virginia ABC bailment warehouse. Suppliers will be provided with access to a report detailing inventory levels for their products. It is the responsibility of the supplier to manage appropriate inventory levels in the Virginia ABC bailment warehouse.

The minimum inventory level for high-volume items will be set at a 10-day supply based on the seasonally adjusted historical average. The minimum level for medium-volume items will be set at a 15-day supply based on the seasonally adjusted historical average. The minimum level for low-volume items will be set at a 30-day supply based on the seasonally adjusted historical average or one pallet, whichever is greater. The minimum level for direct import items will be set at a 30-day supply based on the seasonally adjusted historical average.

The maximum inventory level for high-volume items will be set at a 30-day supply based on the seasonally adjusted historical average. The maximum level for medium-volume items will be set at a 45-day supply based on the seasonally adjusted historical average. The maximum level for low-volume items will be set at a 60-day average based on the seasonally adjusted historical average. The maximum level for direct import items will be set at a 60-day supply based on the seasonally adjusted historical average.

Suppliers are required to maintain adequate inventory levels or a specified amount of inventory as provided by Virginia ABC for items that will receive price discounts or advance buys. Virginia ABC will notify supplier of its expected inventory requirements 30 days prior to the anticipated withdrawal date.

An overstock fee of \$1.00 per excess case per day will be assessed to any supplier whose inventory exceeds the maximum inventory level for more than five consecutive days. A space reservation fee of \$1.00 per case per day for each case below the minimum inventory level assigned will be assessed to any supplier for any product for which Virginia ABC is unable to fill store orders. ■

# CASE CODE LABEL INSTRUCTIONS

The “case code label” is one of the major benefits to the control state coding system. Following is an example and explanation of the approved case code label:



A. Actual size of the case code label is 4"x 6."

B. Case code labels should be on white stock paper with black lettering unless approved otherwise.

1. Product Description:

- The size of the product must be included.

2. Control State Code Number:

- "320" represents the three-digit prefix to further identify class and type. "43136" is the unique six-digit CSC number. (Note: All leading zeros should be omitted.) "75" represents the two-digit suffix identifying the size. The control state code number should be 7/8" to 1" high. The prefix and suffix number should be ¼" to ½" high.

3. Other State Code Numbers:

- Pennsylvania and North Carolina code numbers should be 7/8" to 1" high. All other state code numbers should be ½" high.

4. UPC Symbology

- The UPC symbology should be located in the lower left-hand corner of the case code label.

5. Location:

- The label should be located on an end panel.

All bar codes (UPC, EAN, SCC-14, SSCC-18, and other AIs & Data) shall be printed and placed in a vertical bar configuration (picket fence). Placement of bar codes is independent of print technology and symbology employed.

If you have any questions about where to place bar codes or if they are in proper format, please contact the Virginia ABC Transportation department at (804) 213-4524. ■



# DELIVERY OF PRODUCT TO WAREHOUSE

Suppliers will be responsible for determining the quantities of merchandise to be delivered to the Virginia ABC bailment warehouse for storage as provided by the minimum and maximum inventory levels. Suppliers shall schedule deliveries through the Management of Inventory and Product Sales (MIPS) system. Trucks without an appointment will not be unloaded.

Cases that are received at the Virginia ABC bailment warehouse with visible damage will be unloaded into a holding area. The supplier will be notified and asked for disposition instructions.

Supplier must notify Virginia ABC by letter 30 days prior to a pallet configuration change or Virginia ABC will not be responsible for any discrepancies. ■

## WITHDRAWAL OF PRODUCT FROM WAREHOUSE

A supplier may request a withdrawal of product inventory from the Virginia ABC bailment warehouse. The request is reviewed and either approved or denied by the ABC Freight Traffic and Inventory Manager. If the request is approved, then the product that has been requested will be collected and staged for loading onto the supplier's truck.

Reasons for withdrawal requests vary, but may be due to the delisting or discontinuation of a product, the supplier's need to reallocate some of their inventory to another location (i.e., West Virginia has run out and there is more than enough inventory to cover Virginia currently stored in the Virginia ABC bailment warehouse), the maximum inventory level at the Virginia ABC bailment warehouse has been reached, or product is defective or unsalable.

*\*Note: The ABC Freight Traffic and Inventory Manager will discuss the issue with the supplier and if inventory levels permit for the withdrawal, the request may be approved. The ABC Freight Traffic and Inventory Manager will also determine whether a fee for this service will be assessed. A supplier may be charged \$22.00 per hour for this service with a one-hour minimum. ■*



# FEES

Suppliers will be charged for the following services:

Place merchandise on pallet .....	\$22.00 per hour (1 hour minimum)
Recooperage .....	\$5.00 per case
Relabel case .....	<ul style="list-style-type: none"><li>• \$3.00 per case per item on the <b>first</b> occurrence</li><li>• \$5.00 per case per item on the <b>second</b> occurrence</li><li>• \$5.00 increments per item for each occurrence thereafter</li></ul>
Physical inventory .....	\$22.00 per hour (1 hour minimum)
Withdrawal from bailment .....	\$22.00 per hour (1 hour minimum)
Destroy product .....	\$10.00 per case

Any service charge to be charged to a supplier will be deducted from monthly merchandise payments by Virginia ABC. ■

# CONTACT INFORMATION

FOR INQUIRIES REGARDING LISTINGS, PLEASE CONTACT:

Neilann Brown  
Product Specialist  
(804) 213-4528  
Neilann.brown@abc.virginia.gov

FOR INQUIRIES REGARDING DELISTINGS, PLEASE CONTACT:

Maria Jeter  
Logistics Administrative Staff Specialist  
(804) 213-4523  
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FOR INQUIRIES REGARDING STORE SELECTION, HOLIDAY PRODUCTS AND SCHEDULING OF VENDOR PRESENTATIONS, PLEASE CONTACT:

Joy Reeves  
Marketing & Merchandising Manager  
(804) 213-4701  
Joy.lee@abc.virginia.gov

FOR INQUIRIES REGARDING THE BAILMENT WAREHOUSE, PLEASE CONTACT:

Bryan Vaughan  
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